

FOCUS OFIS

Newsletter of the Michigan Office of Financial and Insurance Services

Governor Announces Insurer for Purchasing Group

Auto-Owners Agrees to Offer Lower Rates to Detroit, Flint Residents

At a standing room-only press conference on September 11 in Detroit, Governor Jennifer Granholm announced that Auto-Owners Insurance has agreed to reduce home and personal automobile rates for eligible Detroit and Flint residents.

The announcement was the result of the Insurance Pooling Initiative, a Granholm administration initiative that helped community groups and faith-based organizations create purchasing groups that negotiated directly with insurance companies to make home and auto insurance more affordable for good drivers living in urban areas.

"Giving citizens access to affordable insurance regardless of where they live is essential to helping Michigan cities thrive," said Granholm. "Something is wrong when citizens have to pay thousands of dollars more for insurance just because they live in Detroit or Flint. Through the

Insurance Pooling Initiative, those who are responsible in their driving and home protection can be rewarded with lower rates."

Citizens who are members of the two organizations and with good driving and homeownership records may be able to purchase insurance policies through local Auto-Owners agents and be eligible to receive a 10 percent discount. Also, additional discounts may be possible based upon the individual circumstances.

"If a community struggles with a problem, then the community must come together to solve it," said the Rev. Dr. Charles Adams, pastor of Hartford Memorial Baptist

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Governor Jennifer Granholm explains the purchasing group concept at a standing room-only press conference on September 11

Purchasing Group Contact Information

Citizens interested in participating in the pooling initiative should contact the community organization in their area to determine their eligibility.

Metro Detroit residents: (313) 494-4478

Genesee County residents: (810) 743-3900

To find an independent Auto Owners agent, visit
www.auto-ownersinsurance.com

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Commissioner's Corner

Another summer has come and gone. I certainly hope you had the opportunity to enjoy some of the wonderful summer activities our great state has to offer. I am proud to report that during these last three months, OFIS has had another highly successful quarter regulating the financial and insurance industries and protecting Michigan's consumers.

We were pleased to be a part of the Governor's announcement that Auto-Owners has agreed to be the insurer for the Purchasing Groups. Residents have started to enroll and are seeing reductions in their rates; as word continues to spread about this beneficial program, we expect that many more consumers will take advantage of the chance to lower their insurance rates.

We also participated with the Governor in announcing the Career Transition Program at the Dearborn Federal Credit Union. This program will provide some \$40 million in below market, unsecured educational loans to credit union members primarily affected by Michigan's unprecedented job losses in the manufacturing sector. In addition, the Department of Labor and Economic Growth has earmarked an additional \$1.5 million to assist CTP students with the cost of textbooks and \$200,000 for career counseling and placement services. Well-capitalized credit unions are uniquely positioned to provide these kinds of solutions to their members, and I applaud them for taking proactive steps to reinvest in our state's workers and communities. By providing displaced workers with the opportunity to develop new skills and pursue new career paths, credit unions are contributing to a stronger Michigan economy.

On October 10, the Michigan Court of Appeals reviewed the credit scoring rules I issued in March 2005. You may recall that immediately after I promulgated the rules, they were struck down by a circuit court judge in Barry County. I am optimistic that the appeals court will uphold the rules, so that consumers in Michigan can once again expect their insurance rates to be based on factors relevant to their driving habits, rather than on their credit scores.

As always, OFIS is available to assist consumers and the industry. Please don't hesitate to contact our office toll-free at 1 (877) 999-6442 or at www.michigan.gov/ofis.



Linda A. Watters
Commissioner



Governor Announces Auto-Owners Will be Insurer for Purchasing Group

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Church in Detroit. "For too long, Detroit residents have paid more for insurance solely because we live in the city. We are committed to changing that, and today's announcement is a great step toward achieving our goal."

The Insurance Pooling Initiative was built on the principle of group purchasing. The Metro Detroit Quality of Life Improvement Association and the Unification for Urban Equality Association in Flint were organized by religious and community leaders. The two organizations have pooled a group of residents with good driving records and responsible homeowner histories in order to negotiate reduced rates.

"The accomplishments of the Unification for Urban Equality organization have been remarkable for the period of time that it has been in existence. Certainly our agreement with the Auto-Owner's insurance company is the icing on the cake," said Pastor Marvin A. Jennings, pastor of Grace Emmanuel Baptist Church in Flint.



Detroit-area residents, community representatives, religious leaders and the media turned out in full force at a September 11 press conference where Governor Granholm shared good news about the purchasing group initiative.

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Michigan Credit Union Community, Governor Granholm Announce \$40 Million in Education Loans to Help Displaced Workers Department of Labor & Economic Growth to Kick in \$1.7 Million in Support

Michigan's credit union community and Governor Jennifer Granholm have announced a landmark program that will provide some \$40 million in below market, unsecured educational loans to credit union members primarily affected by Michigan's unprecedented job losses in the manufacturing sector.

DFCU Financial, Michigan's largest credit union, originated the Career Transition Program's (CTP) and is the anchor financial institution with a financial commitment of \$10 million for eligible members.

The Michigan Department of Labor and Economic Growth (DLEG) has earmarked an additional \$1.5 million to assist CTP students with the cost of textbooks and \$200,000 for career counseling and placement services.

"I want to make sure workers impacted by our transitioning economy are able to update their education and enhance their job skills," Granholm said. "The Career Transition Program, available to credit union members throughout Michigan, will help make that education and training a reality for those who need it."

The genesis of CTP is rooted in Ford Motor Company's recent restructuring announcement, said Mark Shobe, president and chief executive officer of DFCU Financial.

"When DFCU Financial learned about these sweeping cuts and realized that many of our members may be adversely affected, we just had to do something," Shobe said. "Our history began at Ford and our success is linked to Ford so this is our way of trying to help these and other workers who are struggling at this time."

CTP will provide unsecured student loans to credit union members who may require new or advanced training in a vocation or trade due to their situation in the job market. A key part of the program is that for 24 months from the date of the first loan disbursement, there are no loan payments and interest is forgiven. The minimum projected savings for a member who qualifies for a \$10,000 loan under the program is \$1,359, based on the current Stafford loan rate.

The DLEG funds will be utilized to reimburse loan recipients for the costs of books required for their financed programs of training. Students will have the opportunity be reimbursed up to \$500 per semester. Applications will be available at local Michigan Works! agency offices.

"In addition to the \$1.5 million for textbook assistance, DLEG is earmarking another \$200,000 for Michigan's community colleges to expand Career Guidance, Counseling, and Placement services for students who are seeking new skills resulting from unemployment," said DLEG Director Robert W. Swanson. "The counselors will be able to assist students with making the transition for new career opportunities."

For more information on the Career Transition Program, visit www.ctpforcumembers.com.

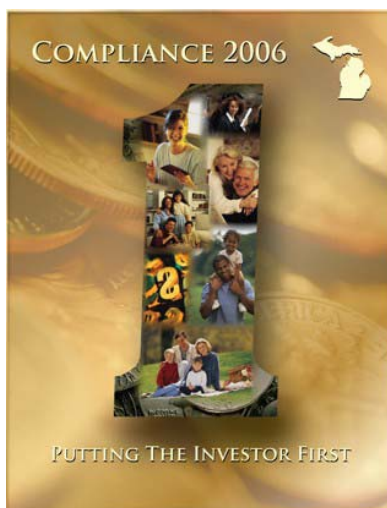


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OFIS Sponsors Securities Seminar for Industry Professionals Seminar addressed issues facing baby boomers, securities industry

Over 125 broker-dealers, investment advisers, attorneys and compliance firms from around the state attended “*Compliance 2006 – Putting the Investor First*,” held September 26 in Lansing.

The seminar took place at Lansing Community College and was conducted by local and national experts in the areas of securities, investments and compliance. It was intended to provide broker-dealers, investment advisers, attorneys and compliance firms with up-to-date information on important issues facing Michigan’s elderly population.



Keynote speaker David Kessler of the Ohio Attorney General’s office gave a presentation on “Identifying Financial Crimes and Assisting Elderly Victims.”

The seminar also focused on day-to-day business operations such as current NASD regulatory and enforcement issues, electronic recordkeeping, written supervisory procedures and examination trends.

This seminar was part of OFIS’ ongoing efforts to work proactively with securities professionals. This informative, valuable seminar was a great opportunity for investment professionals to exchange ideas and learn about current issues.



The panel discussion, “*Investment Needs for Baby Boomers and Beyond*,” featured Mark Koerner, Regional Chief Counsel with NASD; Susan Tompor, personal finance columnist for the Detroit Free Press; Scott Burnett, Regional Director-Midwest Region for Jackson National Life Distributors; and Don Blandin, president and CEO of the Investor Protection Trust.



Commissioner Linda Watters gave opening remarks.



Two audience members and keynote speaker David Kessler, right, surround OFIS securities manager Linda Cena (hidden) in a demonstration of scare tactics.



Over 125 broker-dealers, investment advisers, attorneys and compliance firm representatives attended the *Compliance 2006* securities seminar.

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Bulletins & Letters Recently Released

(Bulletins and letters can be viewed on the OFIS website at www.michigan.gov/ofis under the Bulletins section.)

- [Letter 2006-CU-06](#) – Credit union operating statistics derived from June 30, 2006 call reports.
- [Letter No. 2006-CU-07](#) — clarifies the IT examination process, compliance expectations, examination guidance, and incorporate changes in the Uniform Rating System for Information Technology. OFIS Letter No. 2006-CU-07 supersedes OFIS Letter No: 2004-CU-01.
- [Bulletin No. 2006-07 INS](#) — Submission of property insurance disputes to appraisal.
- [Bulletin No. 2006-08-INS](#) — Mortgage impairment coverage and title insurance.
- [Bulletin No. 2006-09-INS](#) — Active Resident Producer and Solicitor Continuing Education Requirements - Implementation of 2005 PA 247 (Supersedes Bulletin 2006-04-INS).
- [Bulletin No. 2006-10-INS](#) — Annual adjustment of the maximum work loss benefit payable under policies of personal projections insurances (supersedes 2005-17-INS).

Appraisal and Credit Report Fees Assessed by Mortgage Companies Need to Comply with Law

Do you charge appraisal fees and credit report fees in connection with residential mortgage loans? Are you keeping adequate records related to those charges?

In residential mortgage transactions, appraisal and credit report fees are generally third party charges. Both the Mortgage Brokers, Lenders, and Servicers Licensing Act and the Secondary Mortgage Loan Act allow third party fees to be assessed to consumers for the actual expense incurred. We see mortgage companies committing two common errors.

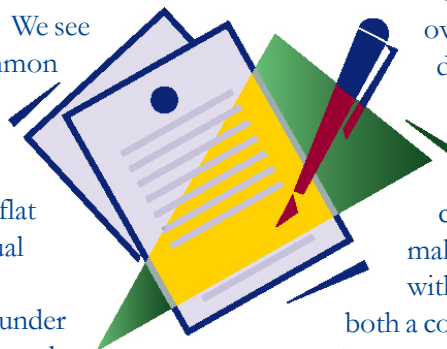
First, some mortgage companies will charge a flat rate as an appraisal fee or a credit report fee. This is fine as long as the flat rate charged is NEVER more than the actual expense incurred for a particular loan file. Typically though, the flat rate is sometimes under and sometimes over the actual expense incurred for particular files. If you have assessed too high of an appraisal fee or a credit report fee on a particular loan file, you have overcharged the borrower.

The second common error we find is not maintaining sufficient documentation regarding your actual expenses for credit reports and appraisals. If you have assessed a credit report or appraisal fee to an applicant, we need to be able to verify what your actual expense was. The actual expense is typically verified by reviewing the relevant invoice and check register.

If as a general practice you have overcharged consumers on third party fees or do not have sufficient documentation to substantiate what your actual expenses were, we will typically require that you refund the overcharges to the consumers. We will often require that you make refunds on all applications received within the last two years. Obviously, this can be both a costly and time-consuming error.

Review your business practices to make sure that your company will not have to issue consumer refunds. Questions on this topic should be directed to the OFIS Mortgage Examination and Investigation Section.

Mortgage Corner



New Form Required for Michigan Domestic Insurers

Insurance companies, including HMOs and AFDS, are now required to file an oath of office with the Commissioner whenever a director is appointed, elected or re-elected in accordance with Public Act 291 of 2006. The public act was signed by the Governor in July, and it has immediate effect. In order to allow companies to comply with the new requirement, form FIS 0425 is available on the OFIS Web site at

http://www.michigan.gov/documents/FIS_0425_Oath_of_Director_165596_7.pdf

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Mortgage Examination Supervisor Honored by Peers



Heidi White receives her plaque from AARMR president George Kinsel

OFIS mortgage examination supervisor Heidi White was honored at the annual conference of the American Association of Residential Mortgage Regulators last month. She received the Distinguished Service award for her outstanding

contributions to the organization over the past five years. Currently, Heidi serves as chairperson of the Fraud committee and co-chairperson of the regulatory examination committee. She has spearheaded a variety of projects, including the development of a questionnaire for states to use when examining national companies. Heidi has been an OFIS employee for 12 years. She started as a mortgage examiner and has held the position of examination supervisor since 2004.

Diane Bissell Hired as Staff Attorney in Mortgage Fraud Area

Diane Bissell joined OFIS as a senior staff attorney on September 25. Please take a moment to learn a little more about Diane.

Where did you work before you came to OFIS, and what did you do there?

Before joining OFIS, I was Advocacy/Government Relations Counsel for the Michigan Bankers Association (MBA). I was responsible for: analyzing and drafting pending legislation. Prior to that, I was Jackson National Life as Associate General Counsel, where her primary responsibility was to provide legal counsel to Jackson's sister company, NPH, which was the parent company for several independent broker dealers.



What will your responsibilities be here?

I will be responsible for reviewing enforcement recommendations in the area of mortgage fraud/predatory

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OFIS Bids Farewell to Two Examiners

Brian Griffen, an OFIS bank examiner since 2003, resigned from OFIS in August to pursue his Masters of Business Administration in Paris, France. Brian will attend the Hautes Etudes Commerciales or *Graduate Commercial Studies* (HEC), where he received a Scholarship of Excellence. He plans to pursue a career in international marketing. He has a Bachelor of Business Administration degree in Finance and a Bachelor of Arts degree in French from the University of Michigan, and a Masters of Arts in Bulgarian History and Politics from Sofia University and the Bulgarian Academy of Sciences.

Carla Thieleman has been an OFIS employee since 2003. She started in the insurance product review unit, and became a credit union examiner in May 2005. She is leaving to pursue a financial career in San Francisco. She has a Bachelor of Arts degree in Finance from Michigan State University.



Commissioner Linda Watters, center, stands with Brian Griffen and Carla Thieleman

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OFIS Announces Selection of New Insurance Testing Vendor New System Means Lower Fees for Applicants

Effective October 2, OFIS is offering insurance producer (agent) examinations through a new vendor, Thomson Prometric. Prometric is a nationally recognized company that has successfully managed this type of statewide program. The company also will handle continuing education reporting, registration and approval of insurance education providers and courses, and license application processing.

Thomson Prometric is providing testing for all 16 types of insurance licenses at seven convenient locations throughout Michigan at a cost of \$40 per exam, a decrease of \$20 from the current price. This modernized, more efficient system will deliver a cost savings to insurance candidates in Michigan.

Applicants may also take the Michigan insurance licensing exam at any Thomson Prometric test center throughout the nation at no extra cost.

In addition, Prometric will provide an Internet-based system that will enable more efficient reporting of continuing education credits that Michigan insurance producers must earn every 24 months.

OFIS and Prometric will hold an examination review workshop in the near future, which will include Michigan insurance experts, to further fine-tune the examinations.

Insurance candidates can contact Prometric at 1 (800) 742-8736 or via email by contacting www.prometric.com to schedule an exam date.

Exams will be offered at the following sites:

- 3820 Packard Rd., Suite 210, Ann Arbor, MI 48106
- 3910 Burton St. SE, Grand Rapids, MI 49546
- 2500 Kerry St., Suite 100, Lansing, MI 48912
- 37727 Professional Center, Suite 130, Livonia, MI 48154
- Ramada Inn, 412 Washington St., Marquette, MI 49855
- 125 Arlington St., Arlington Plaza, Sault Ste. Marie, MI 49873
- 3290 W. Big Beaver Rd., Suite 160, Troy, MI 48084

The initial transition period will provide an opportunity to make improvements to the entire process. OFIS welcomes input both from applicants and current insurance producers as the program moves forward. For more information on insurance testing, contact OFIS at (877) 999-6442 or visit www.michigan.gov/ofis.

2nd Quarter CU Info

OFIS compiles information on state-chartered credit unions, both individually and in the aggregate, and has issued the second quarter financial results.

The number of Michigan state-chartered credit unions declined by five during the second quarter of 2006. Forty credit unions reported a decline in assets greater than 5%. Aggregate net worth increased from 11.71% to 11.80%. Return on average assets increased 14 basis points to .66% and operating expenses declined four basis points. Fifty-three credit unions reported an ROAA of less than .20%. The aggregate delinquency ratio decreased slightly to 1.01% and the net charge-off ratio decreased to .66%.

More detailed second quarter information (including charts and graphs) about state-chartered credit unions can be found at the Credit Union Division website at www.michigan.gov/ofis under Industry Services/ Credit Union/Credit Union Letters.



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Governor Signs Anti-Money Laundering Act into Law

Regulation will help prevent terrorist activities, money laundering

Governor Jennifer Granholm has signed into law a new act that will regulate the money transmission industry, replacing outdated laws to deter money laundering and other illegal activity.

The Money Transmission Services Act prohibits entities that offer money transmission services by paper or electronic means from operating without a license.

Entities such as Western Union, MoneyGram Payment Systems, Inc., and American Express Travel Related Services Co., Inc., which were previously licensed under the now-repealed Sale of Checks Act, will be governed by this new law starting January 1, 2007.

The law strengthens enforcement and supervisory powers to permit OFIS to take appropriate action if illegal activities are detected.

The act creates an effective licensing mechanism designed to deter those engaging in illegal activity from conducting business in Michigan and is an important component of Michigan's homeland security efforts.

Regulation of this industry is key to preventing terrorist activities and money laundering.

The law provides for strong criminal and civil penalties. For example, if a money transmitter knowingly operates without a license, that business will be guilty of a felony punishable by imprisonment for up to five years or a fine of up to \$100,000, or both. The Commissioner may also assess a civil penalty of up to \$10,000 for each day that a violation occurs against a person that violates the act.

The law also will provide Commissioner Watters with a wide range of enforcement tools, such as cease and desist orders, consent orders, suspension or revocation of licenses, and civil fines.

For entities that engage in money transmission lawfully, this act will provide them with a cost-effective means of complying with the law and a clear framework within which to operate.

Entities working in this business are required to have a license effective January 1, 2007. OFIS is currently accepting applications for licensure, and instructions are available on the Office of Financial and Insurance Services Web site at www.michigan.gov/ofis.



Diane Bissell Hired as Staff Attorney in Mortgage Fraud Area

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lending and preparing cases for administrative hearing. I will evaluate cases, negotiate settlements, and represent staff at formal evidentiary hearings.

Where did you go to school?

I graduated from Midland High School and then attended Alma College, where I obtained a Bachelor of Arts degree with majors in Spanish and Business Administration. After graduation, I enrolled in the Detroit College of Law and graduated in 1987 with a J.D.

Tell us about your family and personal interests.

I have twin boys, John and Paul, who are 11 years old. They attend St. Patrick Catholic School in Portland, and are in the fifth grade. I have two dogs, Justice and Jasmine and we recently adopted a stray cat. My boys named him Captain Jack Sparrow after Johnny Depp's character in "Pirates of the Caribbean." Hobbies?? Besides chasing after my kids, golfing and sports.

Any thoughts on your new position here at OFIS?

I'm happy to be a member of the OFIS staff and look forward to cracking down on the bad actors in the mortgage industry.

With the explosive growth in the number of licensed mortgage companies coupled with increased levels of fraud, Diane's experience in the financial services industry will be a huge asset in OFIS' efforts to clamp down on mortgage fraud and predatory lending. She is a welcome addition to the OFIS staff.

Recent Commissioner's Orders

- ◆ Target Oil & Gas Corporation of Danville, KY was ordered to Cease and Desist pursuant to the Michigan Uniform Securities Act.
- ◆ Kirk G. Eddy of Fenton, MI has been ordered to Cease and Desist and had his resident producer license and security agent registration revoked.
- ◆ Minute Man Financial Holding Co. had its first mortgage broker/lender license and its second mortgage broker/lender registration revoked.
- ◆ Andrea Vinson of Marine City, MI was ordered to pay a civil penalty of \$1,000 for operating without a mortgage license.
- ◆ Major Mortgage had its first mortgage broker/lender license revoked.
- ◆ Ocean West Enterprises, Inc. had its first mortgage broker/lender license revoked.
- ◆ Jennifer A. Marano has been ordered to Cease and Desist and had her resident producer license revoked.
- ◆ PLIC Claims Management, Inc. has been ordered to Cease and Desist for violating the Michigan Insurance Code.
- ◆ Trip Assured, Inc. of Crossville, TN has been ordered to Cease and Desist for violating the Michigan Insurance Code.
- ◆ Integrity Financial d/b/a Urban Mortgage Services has been ordered to Cease and Desist and has had its mortgage broker/lender license revoked.
- ◆ American Compensation Insurance Company has been ordered to Cease and Desist for violating the Michigan Insurance Code and was ordered to pay a \$1,000 fine.
- ◆ Cashout Mortgage Corp. d/b/a Sound Mortgage Corp. had its first mortgage broker/lender license revoked.
- ◆ Alternative Mortgage Services. had its first mortgage broker/lender license revoked.

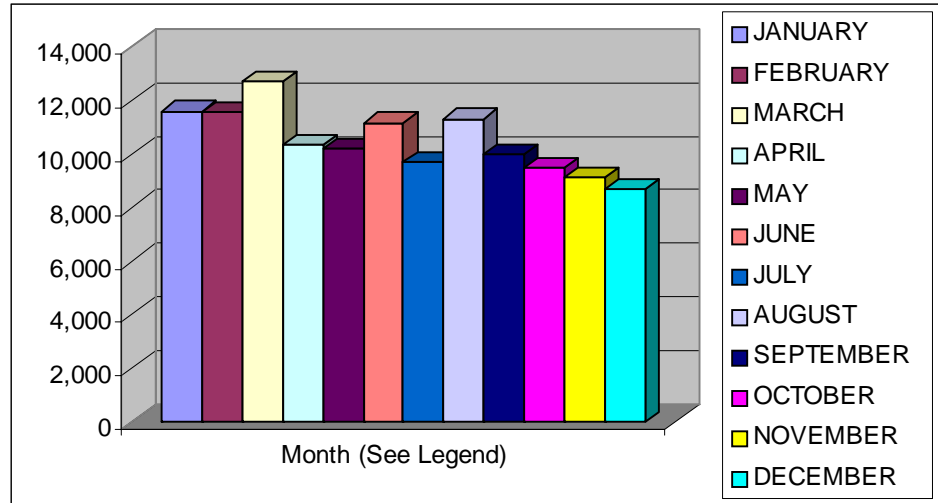
(This is a sample of Commissioner's Orders for the second quarter of 2006 and is not a comprehensive list .)

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OFIS Consumer Protection: Communications Center Calls Received

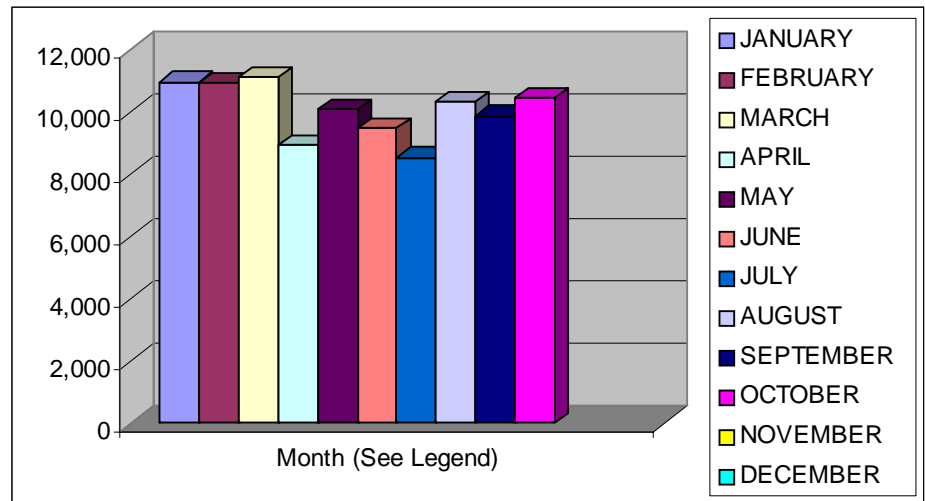
2005 Consumer and Regulatory Calls

January	11,615
February	11,557
March	12,726
April	10,323
May	10,189
June	11,166
July	9,707
August	11,328
September	9,995
October	9,482
November	9,112
December	8,682



2006 Consumer and Regulatory Calls

January	10,984
February	10,946
March	11,143
April	8,951
May	10,106
June	9,502
July	8,564
August	10,338
September	9,896
October	10,476



Consumer Dollars Recovered

2004:
\$8,765,576.50

2005 :
\$11,175,416.77

2006 (through October 31):
\$11,407,213.00

OFIS consumer protection actions often result in money recovered for Michigan consumers. These recoveries include dollars recovered by OFIS for consumers filing insurance, securities, bank, credit union, Blue Cross, HMOs, and mortgage company complaints.